



**Joint Stock Company
'SIGULDAS CILTSLIETU UN
MĀKSLĪGĀS APSEKLOŠANAS
STACIJA'**

**ANNUAL REPORT
for 2021**

Index of Contents

	Page
Information on the Company	3
Management Report	4
Profit or Loss Account	5
Balance sheet	6
Cash flow statement	8
Statement on changes in shareholders' equity	9
Notes to the Financial Statements	10
Report on Management Liability	24
Independent Auditors' Report	25

Information on the Company

Company's name	SIGULDAS CILTSLIETU UN MĀKSLĪGĀS APSĒKLOŠANAS STACIJA
Company's legal status	Joint stock company
Registration number, place and date	40003013295, Riga, 26 July 1991 Registration in the Commercial Register on 19 June 2004
Legal address	'Kalnabeites 8', Sigulda, Sigulda municipality, LV-2150
Shareholders holding more than 5% of the total number of voting shares	'Siguldas mākslīgās apsēklošanas stacija' Ltd. (49.92%), registration No. 40003311954 SCI AG (5.95%) Bartholomäus-Arnoldi-Str. 82, DE-61250 Usingen, Germany Oļegs Radčenko (5.19%)
Members of the Management Board	Nils Ivars Feodorovs, chairman of the Management Board, holding 400 shares Sarmīte Arcimoviča, member of the Management Board, holding 4 124 shares Valda Mālniece, member of the Management Board, holding 14 260 shares
Members of the Supervisory Board	Inīta Bedrīte, chairwoman of the Supervisory Board, holding 1 084 shares Maija Beča, deputy chairwoman of the Supervisory Board, holding 3 066 shares Baiba Mecaucē, member of the Supervisory Board, holding 10 304 shares Guntis Mecaucis, member of the Supervisory Board, holding 5 448 shares Jānis Tūtāns, member of the Supervisory Board, holding 1 084 shares
Reporting period	01.01.2021 – 31.12.2021
Previous reporting period	01.01.2020 – 31.12.2020
Auditors	Olga Kuzmiča Sworn Auditor Certificate No. 207 'Oriens Audit & Finance' Ltd. Gunāra Astras street 8B Riga, LV-1082, Latvia Sworn Auditors' Commercial Company's license No. 28

Management Report

Types of Operations

JSC 'Siguldas ciltslietu un mākslīgās apsēklošanas stacija' (hereinafter referred to as the Company) is one of the largest high-quality breeding bull semen producers and suppliers in Latvia. The second largest field of the Company's basic economic activities is the milk testing services. The Company also provides other breeding related services – consultations on issues of cattle breeding, feeding and keeping, evaluation of cow exterior, artificial insemination of cows, initial processing of the supervisory data.

Brief Description of the Company's Activities in the Reporting Year and Financial Condition

The Company's net turnover in 2021 was 1.4 million euros, which is by 153 thousand euros or 12.3% bigger than in 2020.

The Covid-19 outbreak did not substantially affect the Company's business, financial condition and economic indicators.

The proportion of the revenue from the Company's basic economic activities, if compared to year 2020, had not changed substantially – the revenue from the sales of the bull semen comprised 58.8% of the net turnover, whereas the milk laboratory services and processing of supervisory data services, taken together, accounted for 31.3% of the net turnover.

2021 ended with a profit of 97 thousand euros. Compared to 2020, profit before taxes for the reporting year has decreased by 7 thousand euros, mainly due to the increase in costs of materials.

In 2021 there are no major events that have affected the financial statement, as well as no significant risks that the company might be confronted with and which could have an impact on its financial situation and performance.

Future Prospects and Development

By increasing the operational efficiency of its business, the Company will continue to work on the expansion of its marketed product and service volume.

Post-Balance-Sheet Events

After the end of the financial year, a number of restrictive measures related to the war in Ukraine have entered into force in the Republic of Latvia and other countries, which is reducing the country's economic development. It is not to be foreseen how the situation will develop in the future, and therefore there is uncertainty about economic development. The Company's management constantly evaluates the situation. At present, the Company's operations have not been affected by the restrictions, nor has there been any decrease in cash flow. The Company's management believes that the introduced restrictions will not significantly affect the Company's operations.

Branches and Representative Offices Abroad

The Company has no branch offices, nor any representative offices abroad.

Proposals Regarding the Use of the Company's Profit or Losses

The proposal of the Board is – not to use up the profit of the reporting year, but instead to pay out the retained earnings of 33 795.20 euro, shown in the balance sheet as at December 31, 2021, in dividends, which is 0.08 euro per share.

Nils Ivars Feodorovs
*Chairman of the Management
Board*

Sarmīte Arcimoviča
*Member of the Management
Board*

Valda Mālniece
*Member of the Management
Board, Manager of the
Financial and Accounting
department*

18 March 2022

Profit or loss account

	Note	2021 EUR	2020 EUR
Net sales	3	1 389 544	1 236 904
a) from agricultural activities		1 389 544	1 236 904
Changes in stock of ready-made goods and unfinished products	4	(4 348)	30 132
Other operating income	5	61 177	63 112
Costs of materials:		(672 269)	(554 663)
a) raw materials and auxiliary costs of materials		(557 973)	(448 270)
b) other external costs		(114 296)	(106 393)
Personnel costs:	6	(493 561)	(478 648)
a) salaries for work		(393 590)	(380 057)
b) state social insurance compulsory contributions		(88 900)	(87 204)
c) other social insurance costs		(11 071)	(11 387)
Depreciation adjustments:		(106 749)	(114 354)
a) depreciation adjustments of fixed and intangible assets		(57 495)	(57 826)
b) depreciation adjustments of current assets which the company considers to be above the normal write-off amounts		(49 254)	(56 528)
Other operating costs	7	(73 148)	(75 665)
Profit or loss before enterprise income tax		100 646	106 818
Enterprise income tax for the reporting year		3 850	2 750
Profit or loss after enterprise income tax calculation		96 796	104 068
The profit or loss for the year		96 796	104 068
Earnings per 1 share (EPS)	17	0.229	0.246

Notes on pages 10 to 23 form an integral part of these financial statements.

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18 March 2022

Balance sheet

Assets	Note	2021 EUR	2020 EUR
Long-term investments			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights		1 478	3 090
Intangible assets total	8	1 478	3 090
Fixed assets (fixed assets, investment properties)			
Fixed assets			
Immovable properties - land parcels, buildings and constructions		123 771	143 231
Productive animals and perennial plantings		33 586	45 093
Technological equipment and machinery		1 095	2 555
Other fixed assets and inventory		34 969	20 604
Prepayments for fixed assets		3 200	-
Fixed assets total	9	196 621	211 483
Investment properties	10	68 000	68 000
Long-term financial investments			
Other securities and investments	11	684	684
Long-term financial investments total		684	684
Long-term investments total		266 783	283 257
Current assets			
Stock			
Raw materials, basic materials and auxiliary materials		24 211	21 347
Ready-made goods and goods for sale	12	856 983	781 719
Prepayments for goods		-	6 535
Stock total		881 194	809 601
Receivables			
Trade receivables	13	259 828	234 331
Other receivables	14	5 659	1 239
Prepaid expenses	15	8 895	10 078
Accrued income		29 951	29 975
Receivables total		304 333	275 623
Cash	16	358 805	360 288
Current assets total		1 544 332	1 445 512
Assets total		1 811 115	1 728 769

Balance sheet

Shareholders' equity and liabilities	Note	2021 EUR	2020 EUR
Shareholders' equity			
Share capital	17	591 416	591 416
Retained earnings or loss carried forward from previous years		968 685	911 086
Profit or loss of the reporting year		96 796	104 068
Shareholders' equity total		1 656 897	1 606 570
Payables			
Short-term payables			
Prepayment received from customers		25 003	973
Trade payables		50 334	40 328
Taxes and social insurance payments	18	42 469	42 253
Other payables		19 815	22 021
Accrued liabilities	19	16 597	16 624
Short-term payables total		154 218	122 199
Payables total		154 218	122 199
Shareholders' equity and liabilities total		1 811 115	1 728 769

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Cash flow statement

	Note	2021 EUR	2020 EUR
Cash flow from operating activities			
Income from sale of goods and provision of services		1 688 142	1 479 439
Payments to suppliers, employees, other expenses arising from basic operations		(1 596 852)	(1 342 984)
Gross cash flow from basic operations		91 290	136 455
Expenses for enterprise income tax payments		(3 829)	(2 692)
Net cash flow from operating activities		87 461	133 763
Cash flow from investing activities			
Purchase of fixed assets and intangible investments		(56 133)	(39 882)
Income from dispossession of fixed assets		9 088	8 372
Net cash flow from investing activities		(47 045)	(31 510)
Cash flow from financing activities			
Subsidies received as a state support		7 941	8 559
Dividends paid		(46 469)	-
Net cash flow from financing activities		(38 528)	8 559
Result of foreign exchange rate fluctuations		(3 371)	(2 132)
Net increase or decrease of cash and its equivalents		(1 483)	108 680
Cash and its equivalents balance at the beginning of the reporting year		360 288	251 608
Cash and its equivalents balance at the end of the reporting year	16	358 805	360 288

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Statement on changes in shareholders' equity

	Share capital	Other reserves	Retained earnings carried forward from previous years	Profit of the reporting year	Shareholders' equity total
	EUR	EUR	EUR	EUR	EUR
31.12.2019	591 416	-	860 743	50 343	1 502 502
Profit of 2019 transferred to retained earnings of previous years	-	-	50 343	(50 343)	-
Profit of the reporting year	-	-	-	104 068	104 068
31.12.2020	591 416	-	911 086	104 068	1 606 570
Profit of 2020 transferred to retained earnings of previous years	-	-	104 068	(104 068)	-
Dividends distributed	-	-	(46 469)	-	(46 469)
Profit of the reporting year	-	-	-	96 796	96 796
31.12.2021	591 416	-	968 685	96 796	1 656 897

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18 March 2022

Notes to the Financial Statements

(1) General information on the Company

JSC 'Siguldas ciltslietu un mākslīgās apsēkļošanas stacija' (hereinafter - the Company) was registered in the Register of Enterprises of the Republic of Latvia on 26 July 1991 and was reregistered in the Commercial Register of the Republic of Latvia on 19 June 2004.

The Company's basic activities are agriculture and the types of business are as follows:

- production and sale of agricultural products – high-quality breeding animals semen,
- making of milk analyses,
- evaluation of cow exterior,
- artificial insemination of cows,
- milk recording data processing,
- animals breeding organization.

(2) Significant accounting principles

Underlying principles of preparation of the Financial Statements

The Company's Financial Statements have been prepared according to the Law On Annual Reports and Consolidated Annual reports of the Republic of Latvia. According to Section 5 of the Law on Annual Reports and Consolidated Annual reports, the Company is classified as a small company according to the last two years figures. Taking into account the legal requirements for commercial companies whose transferable securities are listed on a regulated market, the Company applies requirements that are binding on a large company. The Profit or Loss Account is been prepared based on classification according to expense types. The Cash Flow Statement was prepared according to the direct method.

Complying the regulation stated in Article 13 Part 5 Chapter 2 of the Law On Annual Reports and Consolidated Annual reports, the Company acknowledges, assesses, shows in its financial report and provides explicative information on investment properties in compliance with the international accounting standards.

Accounting principles used

The items of the Financial Statements have been evaluated according to the following accounting principles:

- It is assumed that the Company will be a going concern;
- The same evaluation methods have been used, which were used in the previous year;
- Evaluation was done with sufficient prudence:
 - The Financial Statements include solely the profit gained until the balance sheet date,
 - All expected risk amounts and losses have been taken into account, which occurred during the reporting year or in previous years, also if they were known during a certain period of time between the balance sheets date and the day of preparing the Financial Statements,
 - All value decreasing and depreciation amounts have been taken into account irrespective whether the reporting year was closed with profit or loss;
- reporting year related income and costs were recognized irrespective of the payment date and the date of receipt or issuance of invoice. Costs have been agreed with the income in the reporting period;
- components of asset and liabilities items have been recognized separately;
- the opening balance of the reporting year agrees with the closing balance of the previous year;
- all items have been recognized, which materially influence assessment or decision-making process of the users of the annual report, insignificant items are merged and they are detailed in the Appendix;
- operating transactions in the reporting year have been recognized in the Financial Statements by taking into account their economic substance and contents, rather than legal form.

Financial instruments

Fair value of financial assets and liabilities

Fair value of financial assets and liabilities reflect the amount, for which it is possible to exchange assets or perform liabilities in a deal between well informed, interested and financially independent persons. If in the Company's management opinion, fair value of financial assets and liabilities materially differs from the value recognized in the balance sheet, then the fair value of these assets and liabilities is recognized in the Notes to the Financial Statements.

Notes to the Financial Statements

Financial risks management

Credit risk

The Company's management has developed credit policy, which is constantly controlled. Client evaluation is done for all customers above a fixed amount. The Company cooperates with clients who have proper credit assessment.

Currency risk

Based on the current structure of Company's financial assets and liabilities held in foreign currencies, the currency risk is not material.

Reporting period

The reporting period is twelve months from 1 January to 31 December 2021.

Revaluation of foreign currencies

The Company's functional currency and the currency used in the Financial Statements is euro (EUR). All transactions in foreign currencies are converted into euro according to the euro foreign exchange reference rate published by the European Central Bank on the day of particular transaction being performed.

Monetary assets and liabilities, which are shown in foreign currencies, are converted into euro according to the fixed euro foreign exchange reference rate published by the European Central Bank on the last day of the reporting period.

	31.12.2021	31.12.2020
USD	1.13260	1.122710

Currency exchange rate differences arising from settlements in currencies or when recognizing assets and liabilities by using currency exchange rates, which differ from the initial currency exchange rates used for accounting of transactions, are recognized in the profit or loss account in net value.

Recognition of income

Income is recognized according to the conviction about the Company's possibility to gain economic benefit and in the amount, in which it is possible to state it, less value added tax and sales-related discounts. When recognizing income, also the following provisions are taken into account.

Sale of goods

Income is recognized when the Company has transferred to the purchaser major risks and indemnities related to the title of goods.

Provision of services

Income from services is recognized in the period when the services are provided.

Penalty and delay charges

Income from penalty and delay charges is recognized at the moment of their receipt.

Interest

Income is recognized according to the respective period of time.

Long-term and short-term items

Long-term items include amounts whose receipt, payments or write-off terms are due later after the end of the respective reporting year. Amounts, which are receivable, payable or written off during the year, are recognized in short-term items.

Leasing transactions

Financial leasing

In cases when fixed assets are purchased on the conditions of financial leasing and the related risks and return are taken over, these fixed assets are recognized in the value, for which they could be purchased with immediate payment. Leasing interest payments and similar payments are included in the profit or loss account of that period when they occurred.

Notes to the Financial Statements

Intangible assets and fixed assets

In the balance sheet, all intangible assets and fixed assets are reflected at their purchase prices, less depreciation. Depreciation is calculated from the first date of the next month after their commissioning and finished on the first date of the subsequent month after it is excluded from fixed assets. Depreciation is calculated according to the straight line method and is written off during the useful life time of respective fixed assets by choosing the following annual depreciation rates as fixed by the management:

Intangible assets:

Licenses	5 years
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Fixed assets:

Buildings and constructions	10, 20, 25, 40 and 59 years
Productive animals	4 years
Equipment and machinery	5, 6 and 7 years
Computer hardware and communication equipment	5 years
Inventory and tools	3 and 5 years
Other fixed assets	2 and 3 years

Balances of fixed assets have been counted in the annual count of fixed assets.

The Company capitalizes its fixed assets valued over 70 euro with useful life exceeding one year. Depreciation for improvements and other low costs items with the value less than 70 euro is recognized by 100 % after commissioning.

If sufficient evidence is acquired that the future economic benefit associated with subsequent repair or reconstruction costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset.

Net gains or losses from disposal of fixed assets is calculated as the difference between the carrying amount of the fixed asset and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could not reach its recoverable value, appropriate value of fixed or intangible asset is to be decreased until recoverable value. Recoverable value is calculated as the highest of fair value less costs to sell or value in use.

Productive animals meet the value criteria of fixed assets and are included in fixed assets.

Investment properties

Investment property is property (land plots, building or part of building) held by the owner or by lessee under a finance lease to earn rentals or for capital appreciation rather than use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. For the land with uncertain future use (if the Company has not determined that it will use the land as owner occupied or short term sale in the ordinary course of business, it is assumed that land is held for capital appreciation), it is classified as investment property.

Investment property of the company— land in possession of the stock company, which market value is expected to grow. Investment properties have been filed according to their purchase value. No later than at the end of the year of account the investments properties are being revalued according to their real market value considering any other activities related to particular property. The revaluation is performed by a certified evaluator. Any changes in the market value of the investments properties are being shown in the profit and loss account.

Notes to the Financial Statements

Evaluation using a comparable transaction method was carried out by a certified evaluator:

2021 – LTD 'Eiroeksperts'

2020 – LTD 'Eiroeksperts'

Stock

Stock is recognized in the lowest cost or net sales value. All stock is assessed by using the average weighted method.

Net sales value is the sales price of stock fixed during normal Company's operations, less the stock completion and selling costs. In cases when the stock net selling value is lower than their cost price, provisions are made for these stocks for decrease of their value down to the net sales value.

All direct costs, which are related to production of breeding animals - bull semen, during the year are booked in the profit or loss account and are adjusted at the end of the year when evaluating stocks according to the lowest sales value or cost price and including them in stocks as "Ready-made goods and goods for sale".

Trade receivables and other receivables

In the balance sheet receivables are recognized in the recoverable value, provisions for doubtful receivables having been deducted. Provisions for doubtful debts are made in cases when there is objective evidence to the fact that the Company will not be able to receive the debts in full value according to the initially fixed repayment dates. Provisions for doubtful debts are the difference between the amortized purchase value of receivables and the recoverable value. The recoverable value of receivables is the current value of planned cash flow.

Cash

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

Provisions

Provisions are liabilities related to current or previous years events and at the preparation of financial statements it is probable that an outflow of resources will be required to settle the obligation and its amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Subsidies

Amounts, which are received as a state support for agricultural, i.e., for covering of expenses for maintaining high-quality breed bulls, are included in the income of that reporting period when they are received and all material conditions for the grant are fulfilled.

Notes to the Financial Statements

Taxes

Corporate income tax for the financial year

Corporate income tax is payable on the distribution of profits and the conditional distribution of profits. Distributed and notionally distributed profits are taxed at the rate of 20 percent of the gross amount, or 20/80 of net costs. Corporate income tax on the payment of dividends is recognized in the profit and loss account as an expense in the period in which the dividends are declared and, in the case of other retained earnings, as incurred.

Use of assumptions

When preparing the financial statements, the Company's management has to make calculations and assumptions, which impact recognition of assets and liabilities included in the financial statements as at the day of preparing the financial statements, as well as the income and expenses recognized in the specific reporting period. Management has made profit or loss assessment and considers that the financial statements reflect the true financial condition based on all currently available information.

Notes to the Financial Statements

(3) Net sales

Sales include income gained during the year from the Company's basic activities – sales of products and provision of services without value added tax and less discounts.

Type of operations	2021 EUR	2020 EUR
Sale of Livestock sperm	816 768	701 928
Milk laboratory services	343 053	332 685
Treatment of supervisory data	91 559	93 654
Artificial insemination of livestock	33 691	26 555
Other income	104 473	82 082
	1 389 544	1 236 904

Distribution of net sales according to the geographical markets:

	2021 EUR	2020 EUR
Latvia	1 389 544	1 236 904
	1 389 544	1 236 904

(4) Changes in stock of ready-made goods and unfinished products

	2021 EUR	2020 EUR
Changes in the value of semen stocks produced	41 204	68 954
Written-off sperm	(45 552)	(38 822)
	(4 348)	30 132

(5) Other operating income

	2021 EUR	2020 EUR
Income from investment property revaluation	-	7 000
State support for agricultural	7 941	8 559
Recovered doubtful and bad debts	52 239	45 791
Profit from foreign currency exchange rate fluctuations	-	110
Other income	997	1 652
	61 177	63 112

Notes to the Financial Statements

(6) Personnel costs

	2021 EUR	2020 EUR
Salaries for work	376 796	362 854
Life insurance with cash value accrual	15 647	16 833
State social insurance contributions	88 756	87 091
Changes in liabilities to personnel for unused vacation	1 291	484
Health insurance	8 546	8 810
Other costs	2 525	2 576
	493 561	478 648

(7) Other operating expenses

	2021 EUR	2020 EUR
Insurance payments	4 582	4 775
Selling expenses	6 378	1 010
The costs of accreditation and employee training	2 226	1 468
The costs of security services	1 286	1 320
Labour protection expenditure	2 980	2 398
Company's management and administrative expenses	9 576	10 981
Regulated securities market expenses	11 271	11 032
Mandatory audit of the annual report	3 900	3 600
Loss from foreign currency exchange rate fluctuations	5 506	-
Net loss from dispossession of fixed assets	6 025	19 720
Employees' leisure and similar costs	6 949	6 835
Real estate tax	1 862	1 855
Other costs	10 607	10 671
	73 148	75 665

Notes to the Financial Statements

(8) Intangible assets

	Concessions, patents, licenses, trademarks and similar rights EUR
Initial value	
31.12.2020	10 785
Purchased	-
Disposed	-
31.12.2021	10 785
Accrued depreciation adjustments	
31.12.2020	7 695
Annual write-off of the value	1 612
Adjustments to accrued depreciation of excluded intangible assets	-
31.12.2021	9 307
Book value as at 31.12.2020	3 090
Book value as at 31.12.2021	1 478

	Concessions, patents, licenses, trademarks and similar rights EUR
Initial value	
31.12.2019	10 785
Purchased	-
Disposed	-
31.12.2020	10 785
Accrued depreciation adjustments	
31.12.2019	5 771
Annual write-off of the value	1 924
Adjustments to accrued depreciation of excluded intangible assets	-
31.12.2020	7 695
Book value as at 31.12.2019	5 014
Book value as at 31.12.2020	3 090

Notes to the Financial Statements

(9) Report on movement of fixed assets

	Land, buildings and construc- tions EUR	Productive animals and perennial plantings EUR	Technological equipment and machinery EUR	Other fixed assets and inventory EUR	Prepayments for fixed assets EUR	Total EUR
Initial value						
31.12.2020	467 494	71 529	306 399	288 265	-	1 133 687
Purchased	-	18 570	-	34 363	3 200	56 133
Dispossessed or liquidated	-	(39 630)	-	(29 290)	-	(68 920)
31.12.2021	467 494	50 469	306 399	293 338	3 200	1 120 900
Accrued depreciation adjustments						
31.12.2020	324 263	26 436	303 844	267 661	-	922 204
Calculated depreciation	19 460	14 964	1 460	19 816	-	55 700
Depreciation of dispossessed or liquidated fixed assets	-	(24 517)	-	(29 108)	-	(53 625)
31.12.2021	343 723	16 883	305 304	258 369	-	924 279
Book value as on 31.12.2020	143 231	45 093	2 555	20 604	-	211 483
Book value as on 31.12.2021	123 771	33 586	1 095	34 969	3 200	196 621

As on 31 December 2021, the cadastral value of **real estate – land and constructions** – was **EUR 158 539**.

	Land, buildings and constructions EUR	Perennial plantings EUR	Technological equipment and machinery EUR	Other fixed assets and inventory EUR	Total EUR
Initial value					
31.12.2019	467 494	69 003	307 064	293 300	1 136 861
Purchased	-	34 726	-	5 156	39 882
Dispossessed or liquidated	-	(32 200)	(665)	(10 191)	(43 056)
31.12.2020	467 494	71 529	306 399	288 265	1 133 687
Accrued depreciation adjustments					
31.12.2019	304 802	15 376	303 049	258 038	881 265
Calculated depreciation	19 461	15 167	1 460	19 814	55 902
Depreciation of dispossessed or liquidated fixed assets	-	(4 107)	(665)	(10 191)	(14 963)
31.12.2020	324 263	26 436	303 844	267 661	922 204
Book value as on 31.12.2019	162 692	53 627	4 015	35 262	255 596
Book value as on 31.12.2020	143 231	45 093	2 555	20 604	211 483

As on 31 December 2020, the cadastral value of **real estate – land and constructions** – was **EUR 158 087**.

Notes to the Financial Statements

(10) Investment properties

	Land EUR
Book value as on 31.12.2019	61 000
Increase/decrease of value due to revaluation	7 000
Book value as on 31.12.2020	68 000
Increase/decrease of value due to revaluation	-
Book value as on 31.12.2021	68 000

(11) Other securities and investments

	EUR
Purchase value as on 31.12.2020	684
Book value as on 31.12.2020	684
Purchase value as on 31.12.2021	684
Book value as on 31.12.2021	684

(12) Ready-made products and goods for sale

	2021 EUR	2020 EUR
Bull semen	839 983	762 966
Other goods for sale	17 000	18 753
	856 983	781 719

(13) Trade receivables

	2021 EUR	2020 EUR
Accounting value of trade receivables	328 460	309 449
Provisions for doubtful trade receivables	(68 632)	(75 118)
	259 828	234 331

Notes to the Financial Statements

(14) Other receivables

	2021	2020
	EUR	EUR
VAT for received goods and services	258	794
VAT on advances received from customers	258	794
Other receivables	981	1
	1 239	795

(15) Prepaid expenses

The item recognizes the costs made during the reporting year, but referring to the next reporting periods.

	2021	2020
	EUR	EUR
Advertising costs	120	120
Insurance	6 112	7 445
Press and legislation updates' subscription	1 274	1 288
Server maintenance and similar costs	273	257
Other prepaid expenses	1 116	968
	8 895	10 078

(16) Cash

Break-down of cash according to currencies:

		2021		2020	
		Currency	EUR	Currency	EUR
Cash in hand	EUR	-	1 182	-	2 144
Cash in bank	EUR	-	357 623	-	358 144
			358 805		360 288

(17) Share capital

Since 21 May 2007 Company's shares are quoted on the Second List of Nasdaq Riga Stock Exchange (ISIN code: LV0000100600). The Company's share capital has been formed of shareholders' investments.

The total number of shares as per 31.12.2021 is 422 440, the nominal value of one share is 1.40 euro.

The total number of shares as per 31.12.2020 was 422 440, the nominal value of one share – 1.40 euro.

	2021	2020
	EUR	EUR
Bearer shares with voting rights	590 016	590 016
Shares owned by the Board without voting rights	1 400	1 400
	591 416	591 416

421 440 shares or 99.8% of the share capital are bearer shares, which give equal rights to receive dividends, receipt of liquidation quota and voting rights in the Shareholders' Meeting.

Notes to the Financial Statements

Owners of 421 440 bearer shares

	31.12.2021	31.12.2020
	%	%
'Siguldas mākslīgās apsēklošanas stacija' Ltd	49.92	49.92
Inīta Bedrīte, chairman of the Supervisory Board	0.26	0.26
Maija Beča, deputy chairman of the Supervisory Board	0.73	0.73
Baiba Mecaucē, member of the Supervisory Board	2.44	2.44
Guntis Mecaucis, member of the Supervisory Board	1.29	1.29
Jānis Tūtāns, member of the Supervisory Board	0.25	0.25
Sarmīte Arcimoviča, member of the Management Board	0.91	0.91
Valda Mālniece, member of the Management Board	3.31	3.31
Other shareholders	40.89	40.89
	100.00	100.00

1 000 shares or 0.24% of the share capital, which are not included in the regulated market, are personnel registered shares, which may be obtained only by Members of the Board, and they give equal rights only to receipt of dividend and liquidation quota.

Owners of the Company's personnel registered shares according to the Company's carried shareholders registry.

	2021	2020
	number	number
Nils Ivars Feodorovs, chairman of the Management Board	400	400
Sarmīte Arcimoviča, member of the Management Board	300	300
Valda Mālniece, member of the Management Board	300	300
	1 000	1 000

There are no share alienation restrictions, nor the necessity to receive the Company's or other shareholders' consent for alienation of shares.

There are no restrictions on voting rights, nor any other similar restrictions.

Earnings per share

Earnings per one share is calculated by dividing the profit of the reporting period with the average weighted number of shares during the year.

	2021	2020
	EUR	EUR
Profit or loss of the reporting period	96 796	104 068
Average weighted number of shares during the year	422 440	422 440
	0.229	0.246

Notes to the Financial Statements

(18) Taxes and social insurance payments

Tax type	2021 EUR	2020 EUR
Value added tax	20 003	20 494
Personal income tax	7 486	6 885
Social insurance payments	14 788	14 701
Nature resource tax	103	103
Enterprise income tax	79	58
Business risk state fee	10	12
	<u>42 469</u>	<u>42 253</u>

Tax overpaid declared in position 'Other receivables'

(19) Accrued liabilities

	2021 EUR	2020 EUR
Calculated liabilities to personnel for unused vacation	12 997	11 707
Accrued accounts payable	3 600	4 917
	<u>16 597</u>	<u>16 624</u>

(20) Information on the number of management members and remuneration

	2021 EUR	2020 EUR
Remuneration to five Supervisory Board members for execution of functions	9 240	9 211
Social insurance payments from remuneration to five Supervisory Board members for execution of functions	2 487	2 151
Remuneration to three Management Board members for execution of functions	36 717	36 607
Social insurance payments from remuneration to three Management Board members for execution of functions	8 600	8 818
Total remuneration to the management members	<u>57 044</u>	<u>56 787</u>

There are no special regulations put in place to regulate the election of the Management Board members, the change of the composition of the Management Board and amendments to the Articles of Association.

All Management Board members have equal Company's representation rights. The chairman of the Management Board represents the Company separately, but other Management Board members may represent the Company only collectively.

There is no agreement signed between the Company and the Management Board members ensuring any kind of compensation.

Notes to the Financial Statements

(21) Average number of employees

	2021 number	2020 number
Supervisory Board members (all employees perform the functions of the Supervisory Board member as an extra work in addition to principal work duties)	3	3
Management Board members (two employees perform the functions of the Management Board member as an extra work in addition to principal work duties)	3	3
Other employees	26	26
Total average number of employees	32	32

(22) Post-Balance-Sheet Events

After the end of the financial year, a number of restrictive measures related to the war in Ukraine have entered into force in the Republic of Latvia and other countries, which is reducing the country's economic development. It is not to be foreseen how the situation will develop in the future, and therefore there is uncertainty about economic development. The Company's management constantly evaluates the situation. At present, the Company's operations have not been affected by the restrictions, nor has there been any decrease in cash flow. The Company's management believes that the introduced restrictions will not significantly affect the Company's operations.

The outbreak of Covid-19 will not have a substantial impact on the Company's operations, financial situation and economic performance.

Nils Ivars Feodorovs
Chairman of the Management Board

Sarmīte Arcimoviča
Member of the Management Board, Manager of the Production and Marketing department

Valda Mālniece
Member of the Management Board, Manager of the Financial and Accounting department

18 March 2022

Report on Management Liability

The management of JSC 'Siguldas ciltslietu un mākslīgās apsēklošanas stacija' (hereinafter - the Company) is responsible for the preparation of the financial statements of the Company. The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as of 31 December 2021 and the results of their operations and cash flows for the year then ended.

The Management Board confirms that the financial statements and notes to the financial statements contained on pp. 3-23 have been prepared on the basis of source documents and the decisions adopted and the assessments made were conservative and prudent. The accounting policy compared to the preceding year has not changed. The Management Board confirms that the financial statements have been prepared on a going-concern basis

The Management is responsible for keeping a proper accounting system, preservation of Company's assets, and for detection and prevention of fraud and other irregularities in the Company. The Management is also responsible for compliance with the requirements of Latvian laws as well as European Union regulations applicable to the Company.

Nils Ivars Feodorovs

*Chairman of the Management
Board*

Sarmīte Arcimoviča

*Member of the Management
Board, Manager of the
Production and Marketing
department*

Valda Mālniece

*Member of the Management
Board, Manager of the
Financial and Accounting
department*

18 March 2022



Independent Auditor's Report

To the shareholders of JSC "Siguldas ciltslietu un mākslīgās apsēklošanas stacija"

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of JSC "Siguldas ciltslietu un mākslīgās apsēklošanas stacija" ("the Company") set out on pages 5 to 23 of the accompanying annual report, which comprises:

- the balance sheet as of 31 December 2021,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of JSC "Siguldas ciltslietu un mākslīgās apsēklošanas stacija" as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia, we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that is relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethical responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.



We have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed that matter
<p><i>Inventory valuation</i></p> <p>As disclosed in Note 12 to the financial statements, as of December 31, 2021, the Company's finished goods and goods for sale amount to EUR 856 983, which is 47% of the Company's total assets as of December 31, 2021. The calculation of the cost of the inventory is a complex process due to the specifics of the Company's operation. The process requires management assumptions regarding the allocation of the production overhead costs. Due to the above circumstances, we consider the valuation of inventory to be a key audit matter.</p>	<p>We obtained an understanding of the manufacturing process by discussing it with the Company's management and evaluated whether the accounting policies for inventory valuation meet the requirements of the Latvian legislation.</p> <p>On a random selection basis, we tested the adequacy of the cost of specific goods items.</p> <p>We performed analytical procedures over the accuracy of the costing elements and cost of inventory by comparing them to prior periods.</p> <p>We selected a sample of finished goods and compared their book value to the subsequent selling price to identify whether the selling price of any items was lower than the book value.</p> <p>We have also assessed whether the disclosures in the financial statements are in accordance with Latvian legislation.</p>

Other Matter

Reporting on Other Information

The Company management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on page 4 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 24 of the accompanying Annual Report,
- Corporate governance report prepared by the Company's management as a separate document and publicly available on the Company's website <http://www.sigmas.lv/>
- Remuneration Report prepared by the Company's management as a separate document and publicly available on the Company's website <http://www.sigmas.lv/>.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6., 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8, and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Remuneration Statement, our responsibility is to consider whether the Remuneration Statement includes the information required in Section 59.⁴ of the Financial Instrument Market Law and whether significant non-conformities have been established in the Remuneration Statement in relation to the financial information indicated in the annual Statement;

In our opinion, the Remuneration Statement includes the information required in section 59.⁴ of the Financial Instrument Market Law and no material inconsistencies with the annual report identified.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

We were appointed as auditors by shareholders' resolution of 23 April 2021 to audit the financial statements of JSC "Siguldas ciltslietu un mākslīgās apsēklošanas stacija" for the year ended 31 December 2021. Our total uninterrupted period of engagement is [3] years, covering the periods ending 31 December 2019 to 31 December 2021.

We confirm that:

•as referred to in paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to in EU Regulation (EU) No Article 5 (1) of Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

During the period covered by our statutory audit, we have not provided other services to the Company in addition to the audit.

The responsible certified auditor on the audit resulting in this independent auditors' report is Olga Kuzmiča.

SIA Orientis Audit & Finance
Licence No. 28

Natālija Zaiceva
Member of the Board



Olga Kuzmiča
Sworn Auditor
Certificate No. 207

Rīga, Latvia
March 18, 2022